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SUBJECT: TOURISM SECRETARY PROVIDES OVERVIEW OF TOURISM PROSPECTS

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SUMMARY  
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1. As a follow-up to our July 29 meeting with Secretary of Tourism, Enrique Meyer, the Ambassador hosted a meeting with the Secretary and all relevant Agency section heads. Secretary Meyer explained that the United States was a priority market for the Argentine tourism industry and provided a detailed presentation on the tourism sector in Argentina, including the latest trends, GOA programs and initiatives, promotion strategies and opportunities for cooperation. The Secretary mentioned the GOA's two main priorities, to promote greater investment in hotel infrastructure and to increase the volume of domestic flights. The need to expand domestic routes and international arrivals to cities other than Buenos Aires was also discussed. To help develop this sector further, the IDB has already granted the GOA three loans. The Ambassador expressed concern about recent reports about thefts by airport staff, underscored need for improved domestic airline service and expressed support for US company participation in expansion plans.

End Summary

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INCREASED TOURISM  
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2. In 2006, the Argentine tourism industry had a record year with 4,115,920 arrivals, a 9 percent increase over 2005. Last year, the sector employed 956,546 people directly and another 8,917,855 people indirectly. Impressively, export revenue generated from tourism ranked fourth only after soy products, vehicle parts and oil. All current projections indicate that by 2020, the number of arrivals will triple. The regions most visited are the City of Buenos Aires, Patagonia, especially Bariloche, and Iguaz Falls in the Province of Misiones.

3. On July 29, Tourism Secretary Meyer, accompanied by Mr. Daro Cervini, Advisor to the Secretary, Ms. Valeria Pellizza, Director of Tourism Development, and Mr. Miguel A. Cuberos, Executive Secretary of the Institute of Tourism Promotion provided a detailed overview of the tourism industry to Ambassador and others at the US Embassy. Specifically, the Secretary highlighted the growth in inbound tourism from the United States. The United States accounts for the second greatest number of visitors entering Ezeiza International Airport after Brazil. During 2006, 270,245 Americans entered, a 7.7 percent increase over 2005. Americans visit Argentina for two main purposes, leisure (57 percent holiday, 22 percent visit friends and family) and business (16 percent). On average, American tourists stay in Argentina for eight days and spend \$1,350 (excluding air

ticket). Americans generally select four and five star hotels.

14. The Secretary explained that the United States is considered a priority market, along with most of Western Europe, Brazil and Chile. Other countries, including Canada, Mexico, Ecuador, Colombia, Peru, Australia and China are considered strategic markets for development at this time.

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PROJECTS AND INITIATIVES  
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15. According to Law No. 25.997 updated in 2004, the GOA strategy for the tourism sector is to improve domestic infrastructure. Efforts are focused on two corridors in Patagonia along the Andes and the province of Misiones. Following these two specific areas, the GOA will focus on the provinces of Salta and Mendoza. The remaining regions will be ranked according to popularity, based on the number of visitors and a future plan of development will be devised.

16. The Secretary mentioned that one of his priorities is to promote greater investment in hotel infrastructure. U.S. hotel chains are aggressively expanding in Argentina. There are more than 300 new projects representing 700 million dollars in new investment. This includes major projects, such as a Sheraton in Puerto Madryn and a Hilton, Radisson and Hyatt in Misiones.

17. The Secretary's second priority is to increase the volume of domestic flights with a new hub in Csrdoaba to link all cities, including Ezeiza Airport. This will eliminate the need for domestic travelers to fly into the domestic airport, Jorge Newbery, and then shuttle to Ezeiza for international travel. He stated that some of the wealthier provinces already organize private charters to link cities. The Secretary mentioned that he would like to eventually establish additional international gateways in Csrdoaba, Patagonia and Salta. The Ambassador highlighted the July 2007 signing of the new civil bilateral aviation agreement, which will permit a doubling in the number of flights between Argentina and the United States. The first addition will be an American Airlines direct flight between Buenos Aires and Chicago on December 13, 2007.

18. In addition to these initiatives, The Secretariat has received three large IDB Loans to help develop the travel and tourism sector. An IDB Loan of 56 million dollars was granted to develop the Iguaz Corridor, Posadas and the "Los Lagos Corridor" in Patagonia. A Loan, valued at 2.5 million dollars, has been obtained to assist in the promotion and marketing of Argentina, in general. The final 2 million dollar loan was granted to develop the "wine country" in the central Andean region. The GOA has listed the Iguaz Corridor, Corredor de la Puna, Corredor de Los Lagos, Esteros del Iber and Route 40 (along the Andes) as priority areas for development and investment.

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OUTREACH  
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19. The Secretary of Tourism's highest priority is to market Argentina worldwide. As an example of their commitment, they have established representative offices in New York, Miami and Los Angeles. The Secretariat is also participating in many Tourism Trade Shows (77 to date) in Europe and the United States with hopes of expanding into Asian markets in the immediate future. Considering the current Peso exchange rate, Argentina offers international travelers an excellent experience for a very affordable price.

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COMMENT:  
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110. The Travel and Tourism Industry in Argentina is booming and is expected to continue to do so for foreseeable future. The Secretary of Tourism is taking positive steps by supporting programs to take advantage of this trend. The Ambassador congratulated Secretary Meyer on the outstanding growth in the market and on the GOA's strong commitment to expanding this sector. He stressed Embassy support for and interest in US investment in the tourism sector as

well as growth of Argentine tourism to the U.S. The Ambassador mentioned two priority problem areas: first our concern over thefts from luggage at the international air terminal and the lack of connecting domestic flights, both of which we believe limit Argentina's current potential but which can be overcome with better law enforcement and security at airports. Secondly, Ambassador said, he fully agrees with the need to improve the quality, timeliness, and variety of domestic airline travel in Argentina. At the conclusion of the meeting, the Ambassador offered to work more closely with the Embassy in hopes of exploring more opportunities for collaboration between U.S. and Argentine companies in the market.

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